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DAILY DIGEST

Date: MAR 30 1951

- NOTE:
1. This summary of significant reports has been prepared primarily for the internal use of the Office of Current Intelligence. It does not represent a complete coverage of all current reports in CIA or in the Office of Current Intelligence.
 2. Comments represent the preliminary views of the Office of Current Intelligence.
 3. Marginal letter indications are defined as follows:
 - "A" - items indicating Soviet-Communist intentions or capabilities.
 - "B" - important regional developments not necessarily related to Soviet/Communist intentions or capabilities
 - "C" - other information indicating trends and potential developments

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SECTION 1 (SOVIET)

"B" EASTERN EUROPE. BULGARIA. Bulgarians in Flight to Yugoslavia. The Yugoslav press has reported that 25 Bulgarians escaped from Bulgaria during the night of 22-23 March and arrived at the refugee reception center at Nis. An additional 30 Bulgarians reportedly crossed the frontier in two groups during the night of 26 and 27 March. In press interviews arranged by the Yugoslav Government, the refugees stated that conditions in Bulgaria were intolerable, peasants were losing their land and popular morale was low. The Yugoslav propaganda also claims that a group of 1,000 Bulgarians, who lived for 10-15 years in the USSR before 1944, are now supplanting the home group of Communist leaders. [REDACTED]

[REDACTED] COMMENT: The flight of Bulgarians across the Yugoslav border is apparently accelerating as a result of enforced collectivization and repressive security measures. The replacement of Communists who spent the war years in Bulgaria with those who emigrated to the Soviet Union in the inter-war period has been underway since the ouster of Kostov, leader of the native Bulgarian faction, in the spring of 1949.

"B" RUMANIA. Yugoslav Charges Exaggerated. The Yugoslav press and radio have lately made several accusations which, if confirmed, would indicate serious economic disturbance and political conflict in Rumania. The Yugoslavs have charged that the ouster of Gheorghe Vasilichi as Minister of Mines and Petroleum was intended to clear the way for military control of the Rumanian oil industry, and that serious economic difficulties have caused the relief of Petre Borila, Minister of Construction, Constantin Sandu, Vice President of the State Commission for Agriculture, and Emanuil Vineu, Deputy Minister of Food. The Yugoslavs have asserted that all of pro-Soviet party leader Chisinevski's protégés have disappeared from public life, while Vice Premier Gheorghiu Dej's star is rising. The Yugoslav propagandists also suggest that Rumanian press and radio neglect of Premier Groza has important political overtones. [REDACTED]

COMMENT: Until better information on the Rumanian internal scene is available, the Yugoslav charges should be regarded as an attempt to magnify and distort the latent difficulties affecting the Rumanian regime. That there is considerable internal stress in Rumania today, as contrasted with a year ago, is indicated by the constant official carping at industrial leaders and Party bureaucrats for failure to establish an efficient, smooth-running economy with a labor force keen to meet higher Soviet-sponsored production quotas. That Vasilichi has been made the scapegoat for oil production failures is accepted, but no supporting evidence is available indicating that the military have relieved the already Soviet-directed Sovrompetrol Co. of control over Rumania's oil. The reported relief of Borila is not necessarily attributable to shortcomings, since, according to the US Leg in Bucharest, he has been promoted to the

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Presidency of the State Control Commission. It is unlikely that Stalinist Chisienvschi and his cohorts are in trouble while nationalist-tainted Gheorghiu-Dej is exerting more influence. Finally, little current significance should be attached to the reported slighting of Groza, who is not a Communist, and has never served as anything more than a figurehead.

"B" YUGOSLAVIA. Yugoslavs Opposed To Any Attempt to Unseat Hoxha Now. In a 29 March Borba article Vladimir Dedijer, secretary of the Yugoslav Parliamentary Committee on Foreign Affairs, has expressed the fear that current internal strife in Albania may furnish the USSR with an excuse for armed intervention in the Balkans. According to Dedijer a purge of individual leaders in Albania has been followed by collective purges of party organizations which have resulted in an intensification of terror throughout the country. This situation is being exploited by "certain elements" in Greece and by Albanian emigre groups in Italy who are parachuting armed men and dropping propaganda leaflets into Albania. Dedijer pointed out that Soviet propaganda has been accusing Yugoslavia of preparing aggressive action against Albania. He added that the actions of the emigres could provide the USSR with a ready-made pretext to intervene in "defense of a small socialist country." and might be used as an excuse to launch an attack on Yugoslavia. COMMENT: The Tito Government has consistently opposed any external intervention in Albania on the grounds that the USSR might use such action as a pretext for armed aggression against Yugoslavia. Another factor bearing on the Yugoslav attitude may be an estimate of its inability to take advantage of unsettled conditions in Albania to establish a pro-Tito regime.

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SECTION 2 (EASTERN)

"B" IRAQ. Proposal to Nationalize Iraq's Oil Resources. According to the Cairo radio, a proposal to nationalize Iraq's oil resources will be debated this week in the Iraqi Parliament. [REDACTED]

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[REDACTED] The resolution has been proposed by 18 deputies who claim that the oil companies have refused: (1) to pay royalties on the gold pound, (2) to expand the oil production, and (3) to train Iraqi personnel for technical positions. The oil nationalization measure is opposed by Prime Minister Nuri al-Said, who has stated that his government will concentrate all its efforts on obtaining an increase in Iraq's oil royalties and oil production. [REDACTED]

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COMMENT: The proposal to nationalize the country's oil resources is not likely to obtain parliamentary approval in Iraq as it did in Iran. Iraqi demands for increased oil royalties, however, will probably be intensified until the Iraq Petroleum Company (IPC), the main and parent oil firm, offers definite concessions. Although IPC has indicated its willingness to consider new financial arrangements, it probably will not present a definite offer soon, since it will be difficult for an agreement to be reached among the several partners of the company. During the probable delay the Iraqis may become so exasperated that the company will be obliged to grant greater concessions later than might be necessary at the present time. Developments in Iran, regarding the parliament-approved nationalization of Iranian oil resources, are bound to have a continuing effect, not only upon Iraq, but also upon other countries in the Middle East.

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"B" INDIA. Congress Party Suffers First Major Local Defeat. The Calcutta press on 28 March reported a major defeat for the Congress Party in the local elections. Of the 30 seats in the local administrations, all of which were formerly held by the Congress Party, only 14 Congress Party candidates were returned. 15 seats went to a new leftist combination called the United Progressive Bloc, which is a loose coalition of the Revolutionary Communist Party, the Revolutionary Socialist Party, the Forward Bloc and the Communist Party. This is the first time that the leftists, including the Communists, have combined against the Congress Party in West Bengal and have entered the municipal administration in large numbers through constitutional means. [REDACTED]

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COMMENT: Although these leftist parties have apparently combined successfully in this municipal election, there is no indication that this, or any other, combination of parties will be able to work together harmoniously, or will join forces on a national level to contest the national elections scheduled for next fall.

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Nehru on Kashmir. Prime Minister Nehru, in his remarks before Parliament on 28 March and in his Agra speech shortly before, stated that the new US-UK Kashmir resolution is not acceptable to India. Nehru criticized the US and UK delegates' speeches before the Security Council as "definitely against India's prestige and an insult to India". He declared that (1) the GOI could never agree to leave Kashmir unprotected or ungoverned, and (2) Kashmir is an integral part of India, a fact that has never been challenged by the UN Kashmir Commission or the Security Council. [REDACTED]

[REDACTED] COMMENT: Nehru's presently reported violent, intemperate and inaccurate statements regarding Kashmir and the UN SC's action on this issue are in line with the position he has always held on this matter. It merely underscores once again that Nehru has no intention of permitting the explosive and irksome Kashmir issue to be settled except on terms agreeable to him, namely, the incorporation of Kashmir into India.

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Sino-Indian Relations. A Peiping broadcast of 28 March gives details of an interview granted by Dr. Atal, leader of the Indian delegation to the World Peace Congress in Berlin who is on a visit to Peiping, possibly as an emissary of Prime Minister Nehru [REDACTED]

[REDACTED] In commenting upon "World War III being organized by American imperialists", Atal said American efforts would come to naught if the people of India and China would "draw close together and develop organic unity" in order to maintain peace and security in the world, and "show their resolution to fight for peace". [REDACTED]

[REDACTED] COMMENT: Atal's obvious attempt to promote closer Sino-Indian relations is in line with one of the present mainstays of Indian foreign policy. His interview, it should be noted, follows the international Communist line as closely as if it had been written in the Kremlin. If he were indeed Nehru's spokesman, the GOI's concept of Sino-Indian "friendship" would appear to be Indian subservience to Peiping. There is no clear evidence, however, that Atal genuinely represents the GOI's position.

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"B" AUSTRALIA. Labor Party's Election Platform. Australia's opposition Labor Party program for the impending general election was outlined in Sydney on 28 March by Party leader and former Prime Minister Joseph B. Chifley, who pledged that the Labor Party would: (1) stabilize the Australian economy to halt inflation; (2) seek to eliminate seditious and subversive activities as well as industrial sabotage; (3) firmly oppose any rearmament of Japan; and (4) strengthen relations with the UK and UN while continuing to cooperate closely with the US. COMMENT: Labor's platform contains no surprises. Strongest point will probably be an attack on the present Government's failure to control mounting inflation.

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"C" KOREA. Recent Trends in Communist Propaganda. During the week of 27 February, North Korean PWs stated that their units had been told of the bombing of Tokyo and New York by Chinese Communist aircraft, "with excellent results". They had also been told that US atomic bombs are duds and that the USSR has a secret weapon which brings down aircraft with a push of a button. Within the past week, Radio Pyongyang has twice reported with credit lines to Tass and NCNA that MacArthur is preparing for bacteriological warfare in Korea. COMMENT: A previous accusation regarding BW appeared in Soviet propaganda in early January 1951. The contrast between "confidence" and "fright" propaganda does not appear to reflect changes in the Korean military situation.

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"C" JAPAN. Democrats Propose "Self-Defense" Program. The Special Foreign Affairs Committee of Japan's conservative opposition Democratic Party decided on a three-point "self-defense" program on 28 March, which would include a 200,000-man army constituted separately from the present police forces; a demand for the recovery of Okinawa 10 years after the peace treaty; and consideration of future revisions of the Constitution. COMMENT: The three-point statement is an interesting formalization of a Party conservative program. Democratic Party ex-Premier ASHIDA has been favoring a 200,000-man army for several months, while the Party has previously advocated the return of the Ryukyus to Japan. The Democrats apparently are the first prominent political group to advocate a revision of the Constitution, presumably with the anti-war clause in mind.

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SECTION 3 (WESTERN)

"C" GERMANY. Otto Strasser May be Permitted to Return to Germany. At the request of the Canadian Government, the Department of State is giving consideration to the possibility of removing the name of Otto Strasser, now resident in Canada, from the Combined Travel Board's (CTB) proscribed travel list. Strasser's return to Germany has been barred as prejudicial to the best interests of the occupation.

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COMMENT: Otto Strasser, a former leader of the Black Front which was abolished by Hitler, was forced to flee Germany but has always remained authoritarian and anti-democratic. It is noteworthy that the congress of neutralists held in Frankfurt this month--the first attempt at the integration of neutralist-nationalist groups--included representatives of Strasser's League for German Revival, which has recently been trying to revitalize itself. This may, therefore, be an auspicious time for Strasser to reenter German politics.

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"B" SAAR-FRANCE-GERMANY. References to Saar Endanger Schuman Plan Ratification. Schumacher, leader of the Socialist Party in west Germany (SPD), [redacted] that the Saar issue is "getting very bad" and that he intends to raise it in the Bundestag in the near future. French officials in Bonn fear that Schumacher's attitude will endanger ratification of the Schuman Plan by the Bundestag. In reply to the suggestion that the less said about the Saar issue at this time the better, Schumacher remarked that, when it comes to the Saar, "the French behave like west Russians".

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COMMENT: French efforts in general have been to detach the Saar completely from Germany, to which the Germans are bitterly opposed. Because the SPD objects in principle to the Schuman Plan, injection of the Saar issue will draw popular support to the SPD position.

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"C" AUSTRIA. Police Dismissals Cause Demonstrations. There was a small Communist demonstration yesterday before police headquarters in Vienna, following a sit-down strike the previous night by Communist police office workers purged by the Government. After an approximate 30% vote for the Communists in recent elections for union officials in the Vienna police, the city government immediately fired 267 in administrative jobs, and more dismissals are scheduled in all four occupation sectors of Vienna. The Soviet element reportedly has told police headquarters that it will stop such dismissals in its sector,

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although there was no Soviet interference in this instance. [redacted]

[redacted] COMMENT: Although the Interior Ministry is determined to purge the Vienna police force of Communists, immediate action on such a scale is surprising. An earlier report had indicated that the process would be slower, with efforts to present legitimate reasons (such as "failure to pass I.Q. tests") for dismissals. It was believed that the Government was seeking such reasons as might fall within the scope of civil service laws and also avoid Soviet retaliation. The Soviet element will probably react by (1) encouraging further sit-down strikes of dismissed Communist police, (2) bringing pressure on the Government to drop dismissal proceedings, and (3) interfering with the appointment of replacements.

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"B" ITALY. Indication of Change in Italian Views on European Army. The newspaper Il Popolo, a governmental organ, views the Schuman plan as the method for achieving the integration of Europe and as the technique to be applied to the gradual unification of European armed forces. The paper also points out that the creation of a European-wide agricultural market would require the free movement of agricultural labor as well. [redacted] COMMENT: At the Franco-Italian talks at Santa Margherita, the Italians agreed in principle with the French proposals for a European army, provided it did not retard the rearmament of western Europe. It appears, however, that the Italians feel that immediate integration of European armed forces is unrealistic and that it is a long-term proposition. Faced with an enormous surplus manpower problem, the Italians also feel that the free movement of labor is a priority target for any economic integration of Europe.

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"C" UNITED KINGDOM. Influential Trade Union Endorses Britain's Foreign Policy. The Shop, Distributive, and Allied Workers' Union, the first national union to hold its annual spring conference, has endorsed Britain's present foreign policy and by an overwhelming majority passed a resolution condemning the Communist "peace campaign".

[redacted] COMMENT: This vote is a useful barometer of trade union opinion because (1) the union is one of the largest in Britain, (2) it was formerly considered Communist-influenced, and (3) its action will probably affect other national trade union conferences being held later in the year and also the

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national conferences of the Trades Union Congress and the Labor Party. It is of some significance that in this instance trade union anxiety about Government economic policies caused by the rearmament program was not accompanied by serious criticism of Government foreign policy as the basic cause of these economic policies.

"C" UNITED KINGDOM. Public Opinion Reassured by US Rebuke of MacArthur Statement. US Embassy London reports that the strong official reaction in Washington to General MacArthur's Korean truce offer has strengthened British confidence in the good intentions of the US Government in the conduct of the Korean campaign. COMMENT: Expressions of hostility toward the alleged tendency of the US, and especially of General MacArthur, to extend the Korean War have been sharp in the past. The distrust has diminished with a growing belief in the moderation of the official US position that began with the American concessions on the UN "aggression" resolution. The widespread lack of confidence in MacArthur that was revived by his truce statement has been qualified only by a few recent suggestions that he is handicapped by political indecision in the UN.

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CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE
DAILY DIGEST OF SIGNIFICANT S/S CABLES

30 March 1951

DEPUTY FOREIGN MINISTERS' CONFERENCE

"A" Soviet Attitude Toward Foreign Ministers' Meeting. In support of a policy of standing firm on present Western proposals for a Foreign Ministers' agenda, Embassy Moscow presents possible alternative Soviet attitudes towards holding a Foreign Ministers' meeting. The Embassy believes that the USSR still puts a considerable store by CFM meetings at least for disruptive tactics. It is also possible that in the face of a firmly united Western opinion, the Soviets would desire a Ministers' meeting actually to compromise on the substance of some of the issues at stake, attempting to diminish the impetus of the Western defense drive. If this is the case, the Embassy feels that Gromyko will if necessary accept a neutral agenda. The Embassy points out that if on the other hand as Britain and France fear, Gromyko will not yield, it would be evident that the Soviets feel no real compulsion at this time to contribute materially to any serious efforts to alleviate European tensions and at most are interested in Ministers' meetings solely for the psychological effect they could attain in that forum for their propaganda. Under the circumstances any Western moves in the nature of concessions to a Ministers' meeting could only react to Soviet advantage. [REDACTED]

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"A" US Delegations' Reactions to New Soviet Proposals. The Chief of the US delegation, in commenting on the new Soviet proposals of 28 March, expresses a belief that Moscow ordered this concession to be made at least partly in order to arrive at agreement within a reasonable time. The Chiefs of the French and UK delegations clearly consider the new proposals a basis for reaching rapid agreement with the USSR on an agenda, and the Chief of the US delegation anticipated a "serious problem" in the tripartite meeting scheduled for 29 March. Jessup regards the latest Soviet proposals as "the first formal and serious break in the Russian position on anything of major importance", and reports that it was not possible to prevent the Western press from presenting the Soviet move as a concession. [REDACTED]

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[REDACTED] COMMENT: The new Soviet proposals can be expected to strengthen public and official determina-

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tion, in both France and the UK, to press for a Foreign Ministers' Conference. The Soviet concessions indicate that the USSR may compromise further if necessary for the sake of achieving a Foreign Ministers' Meeting.

SECTION 1 (SOVIET)

"A" USSR. Embassy Moscow Estimate of Soviet Reaction to Japanese Treaty Draft. Embassy Moscow expects a sharp Soviet reaction to the Japanese peace treaty draft. The USSR's tactics would be designed to: (1) prevent conclusion of the treaty on a multilateral basis; (2) dissuade other countries, particularly in Asia, from signing the treaty; and (3) disrupt operation of the treaty. In addition, the USSR would attempt to portray Japan as a colony and base for US aggression in Asia and also to capitalize on Asian countries' fear of renewed Japanese imperialism. China may be expected to advance the most violent opposition to the treaty, as both the Soviet and Chinese Communists will cooperate to identify US aspects of Japanese imperialism and to emphasize the Sino-Soviet Treaty as an instrument against Japanese remilitarization. Both the USSR and Communist China will probably exert strong diplomatic pressure on Asian governments as a means of obtaining their neutrality and non-involvement in future Communist clashes with the free world. Embassy Moscow anticipates that Soviet opposition to the draft treaty is capable of limiting achievement of US objectives in Asia even though a number of states sign the treaty. The USSR would consider that it had gained an advantage if, by its opposition, several independent Asian states did not sign the treaty, and if Communist denunciation of the treaty crystallized Asian distrust of US motives and fear of Japan.

COMMENT: The USSR has already utilized almost all political and propaganda means at its disposal to oppose a "separate" Japanese peace treaty. Soviet refusal to sign a draft treaty will, however, give the USSR a useful lever to exact concessions and exert pressure on the Japanese Government without direct involvement of the other powers, since technically a state of war between the USSR and Japan would still exist. Communist China would possess comparable advantages if it did not sign the US draft. It is conceivable that India might not be willing to sign a treaty which was unacceptable to both the USSR and Communist China.

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